

Internal Revenue Service

Department of the Treasury

District
Director

Date: FEB 15 1966

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for exemption from Federal Income Tax under Section 501(c)(6) of the Internal Revenue Code.

The information submitted, discloses that you were incorporated [REDACTED], for the primary purpose of promoting the exchange of computer auditing concepts and techniques with particular emphasis on the use of [REDACTED], a brand of computer software. Your membership is generally limited to organizations using software designed by [REDACTED].

Your activities consist of exchange of information on auditing computers using software known as [REDACTED]; you intend to organize meetings and seminars to promote the interest of the group in encouraging consistent and quality software from [REDACTED].

Code Section 501(c)(6) exempts business leagues, chambers of commerce, real-estate boards, boards of trade or professional football leagues (whether or not administering a pension fund for football players), not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that:

A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest even though all of its income is devoted to the purpose stated. A stock or commodity exchange is not a business league, a chamber of commerce, or a board of trade within the meaning of section 501(c)(6) and is not exempt from tax. Organizations otherwise exempt from tax under this section are taxable upon their unrelated business taxable income. See Part II (section 511 and following), subchapter F, chapter 1 of the Code, and the regulations thereunder.

In a Court Case, *The National Muffler Dealers Association, Inc., V. U.S.* 440 U.S. 472 (1979) the position of the Internal Revenue Service was upheld and the Court denied exemption to *The National Muffler Dealers Association, Inc.* because it confined its membership to dealers franchised by a particular company and its activities to the business of that company.

Revenue Ruling 85-164, I.R.B. 1983-44 describes an organization, whose members represent diversified businesses that own, rent or lease computers produced by a single computer manufacturer. The organization described above was determined not to be exempt from federal income tax as a business league under Section 501(c)(6) of the Code. By directing its activities only to the users of a single brand of computers, the organization was determined to directing its activities towards the improvement of business conditions in only segments of the various lines of business to which its members belong. Because it limited its activities to the users of a single brand of computer. The organization's activities were not directed towards the improvement of business conditions in one or more line of business within the meaning of Section 1.501(c)(6)-1 of the Regulations.

Based on the above it is concluded that your primary purpose is to promote the interests of organizations using a particular computer software and to exchange ideas through the use of meetings and seminars, rather than to operate as a business league.

Therefore, you do not qualify for tax exemption under Section 501(c)(6) of the Code.

You are required to file Federal income tax returns on Form 1120 annually.

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If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Very truly yours,

[81] 

District Director

Enclosure: Pub. 892